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# Dealings of CIA's Casey held 'come up' when senators meet today

By Curt Matthews

Washington Bureau of the Sun

Washington—The personal financial dealings of CIA Director William J. Casey "are sure to come up" today at a closed session of the Senate Select Committee on Intelligence, according to a member of the committee staff.

Two recently disclosed federal court rulings against Mr. Casey for stock dealings prior to his appointment as head of the Central Intelligence Agency have reportedly raised questions among some members of the committee about Mr. Casey's remaining in his sensitive government post.

The federal court rulings critical of Mr. Casey, one in New Orleans and another in New York, came to light in the wake of the resignation Tuesday of Max Hugel, the CIA's deputy director for operations, amid allegations that he, too, had engaged in questionable stock market activities.

Mr. Casey, who had known Mr. Hugel for only 17 months before insisting upon his appointment as chief of the CIA's clandestine operations abroad, has come under criticism for failing to check more thoroughly into Mr. Hugel's background before naming him to one of the most sensitive posts in government.

"Mr. Casey is not on the agenda for tomorrow's meeting," an intelligence committee staff member commented yesterday. "It's a routine business meeting. But I'll fall over in a dead faint if someone doesn't bring up the Casey matter."

Senate Republican leaders have moved gingerly around the subject of Mr. Casey's background and his role in the abrupt departure of Mr. Hugel, but several Democratic senators are said to be interested in learning more about recent events at the CIA.

The two court rulings against Mr. Casey stem from the same case and involve his role as an officer and promoter of a now-bankrupt firm called Multiponics, Inc. A federal judge in New York ruled May 19 that Mr. Casey had cooperated with others connected with the firm to omit and misrepresent facts presented to potential investors.

Last year, a federal appeals court ruling in New Orleans, upholding another group of investors who had brought suit against Multiponics officers, said Mr. Casey and his associates in the firm drove the corporation "deep and deeper into

debt" by managing in a "pattern of self-interest."

Yesterday, Larry Speakes, deputy White House press secretary, said President Reagan had not been informed about Mr. Casey's legal problems before picking him to head the CIA.

However, Mr. Speakes said the White House counsel, Fred Fielding, and other top aides did know about Mr. Casey's background and decided the stockholder suits that had been brought against him did not warrant consideration by the president.

Mr. Reagan has expressed full trust in Mr. Casey, saying on Wednesday that "there is no controversy."

Mr. Speakes said Mr. Casey had disclosed the lawsuits pending against him in information submitted to the administration before his nomination was submitted in February for confirmation by the Senate.

"This information was presented to the Senate [intelligence] committee and they made a decision that it was not sufficient to raise in the hearings, and that's where the matter stands," Mr. Speakes said.

However, when the Senate intelligence committee considered Mr. Casey's legal problems earlier this year, it was before Mr. Hugel's controversial departure and before the May 19 court ruling in New York supporting the allegations of impropriety against Mr. Casey.

"It's agreed by both sides [Republicans and Democrats] that this is a matter that ought to be discussed," said Peter Smith, a press aide for Senator Joseph R. Biden, Jr. (D, Del.), a member of the intelligence committee.

Some House members also indicated they favored a review of Mr. Casey's decision to hire Mr. Hugel and of the CIA director's own personal financial dealings.

Representative Charles Rose (D, N.C.), a member of the House Select Committee on Intelligence, said yesterday, "I think the committee is going to have to take a look at what this has done to the director's capacity to continue serving as the nation's chief intelligence officer."

Meanwhile, in New York, Mr. Casey's personal lawyer, Milton Gould, said the CIA director had lost money—\$150,000—in the Multiponics venture, and noted that despite the court's criticism of the firm's management, the suit against Mr. Casey and other directors of the firm had been dismissed by the New Orleans appeals court.

If the allegations result in further congressional inquiry, it will not be a new experience for Mr. Casey.

In 1971, when former President Richard M. Nixon appointed him chairman of the Securities and Exchange Commission, the Senate Finance Committee initially confirmed his appointment but then reopened confirmation hearings to allow Mr. Casey to explain a number of lawsuits brought against him for violation of securities law in the 1960s.

The suits had not been disclosed in his brief initial appearance before the Finance Committee. One suit, brought in 1962, charged that Mr. Casey helped sell an unregistered stock in a firm called Advancement Devices, Inc., a New York firm. Mr. Casey was a director and principal stockholder in the company.

The plaintiff in the suit, a stockholder, sought relief totaling \$10,000. Mr. Casey settled the case out of court by agreeing to pay the plaintiff \$8,000.

In 1965, Mr. Casey and several other officers and directors of a New Orleans firm known as Kalvar Corporation were charged in a stockholders' suit with giving misleading information about the terms of a proposed acquisition by Kalvar of another firm, S. O. Systems, Inc., of Burlingame, Calif.

Other matters regarding Mr. Casey's background that became of interest to the Senate Finance Committee after his confirmation hearings were reopened in 1971 were charges of plagiarism in writing a book on tax law.

Mr. Casey had initially told the committee the court record of the suit had been sealed on the initiative of the judge who heard the case, which was settled when Mr. Casey agreed to pay an Indianapolis man \$15,000.

However, research by Senator William Proxmire (D, Wis.) disclosed that it was Mr. Casey, not the judge, who insisted that the record be sealed. After testimony by the judge before the Finance Committee, Mr. Casey said he had been wrong in his initial testimony.

Despite the controversy surrounding his appointment, Mr. Casey was confirmed as chairman of the SEC.

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Mr. Casey continued, however, to generate controversy. In 1974, he was a prosecution witness at the trial of former Attorney General John N. Mitchell and former Commerce Secretary Maurice H. Stans. The two Nixon cabinet officers stood trial in New York but were acquitted on charges stemming from a secret cash campaign contribution by international financier Robert L. Vesco.

Mr. Casey testified about attempts by John Dean, a former White House counsel, to thwart an SEC investigation of Mr. Vesco.

Later, when the House Interstate and Foreign Commerce Committee tried in 1974 to review SEC documents regarding a controversial merger between Hartford Insurance Company and International Telephone & Telegraph Corporation, Mr. Casey sent the material to the Justice Department—an attempt to block further investigation of the merger, according to then-Representative Harley Staggers (D, W.Va.), chairman of the subcommittee probing the transaction.

## Confidence in Intelligence

The Reagan Administration has two responses to a judge's finding that William Casey once violated the Federal securities laws, years before he became Director of Central Intelligence. The President says the lawsuit is "old news." Mr. Casey says any infraction was the fault of brokers and accountants he relied upon. Neither response is adequate.

Sure, everyone knew that some disgruntled investors were accusing Mr. Casey and others of exaggerating the soundness of a farming company for which they sought capital. But now a Federal court finds the key charges true. That's new news.

As for Mr. Casey's claim of reliance on others,

that's precisely the argument a Federal court has rejected. Yes, others prepared the circulars for potential investors, but Mr. Casey knew what they said — and what they didn't say about the company's less than fully operative farming units and heavily encumbering mortgages.

The issue here is not Mr. Casey's competence in intelligence but the Administration's standard of responsibility. Directors, of intelligence or corporations, do not hide behind the misjudgments of subordinates. And Presidents should not tumble to a subordinate's gloss of the record. Mr. Reagan's expression of confidence in this case was hasty and premature.

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**Ralph S. Moyed**

## Not-so-covert operations of CIA's Casey

**W**HY THE SUDDEN REVELATIONS about the questionable business dealings of CIA Director William J. Casey? They could have been triggered by concerns of agency insiders about leaks of CIA commercial intelligence.

It's not as if no one in Washington had reason to check on Casey's business affairs.

Casey, a 68-year-old politician, senior aide in two Republican administrations, New York tax lawyer and investment adviser, has been accused on repeated occasions over the last 16 years of skating close to the edge in amassing his fortune.

At least four times he has lost or settled suits alleging illegal or unethical behavior. Once Casey was found guilty of plagiarism and paid a \$20,000 judgment to the man whose writings he pirated.

And a Wilmington lawyer was still contending Thursday that Casey violated legal ethics in grabbing \$770,000 in an oil deal at the expense of two members of the du Pont family who were his clients.

As head of the Securities and Exchange Commission, as undersecretary of state for economic affairs and as chairman of the Export-Import Bank during the administration of Richard Nixon, Casey could turn on the charm, play the tough lawyer and convince senators and White House aides that these were minor foibles for a kid from the sidewalks of New York who had made it in the bigtime.

For a CIA director, the two latest disclosures could prove too much extra baggage.

As head of the nation's intelligence community, Casey presides over the greatest collection of inside commercial information on earth.

The back-to-back revelations about Casey's business shenanigans and those of his late spymaster, the gnomish Max Hugel, suggest a CIA media operation.

A senior CIA official who insists his name not be used came near to confirming that on Thursday, insisting, however, it was for valid reasons. "There have been leaks of commercial intelligence from the director's office in the last four months," the official said without elaborating.

Veteran CIA professionals who make up the Old Boy Network regard Casey as an outsider. His only intelligence experience dates back to the swashbuckling days of the Office of Strategic Services in World War II. These Ivy League career officers in

the past have used the media to dispatch other political appointees whom they distrusted.

Whatever the source of the revelations, the news reports seem to have put the old lawyer in the same position as Casey put his friend Hugel last week. After talking to Casey about his involvement in a questionable business deal, Hugel resigned as chief of clandestine operations.

When the first story on Casey broke this week, President Reagan was hanging tough with the man who managed his campaign for the presidency. After the second story, the White House said: Reagan hadn't really been informed of Casey's trouble.

The message was clear: Casey was left to dangle slowly, slowly in the wind.

The trouble involved the findings of two federal courts that Casey and other founders of a now-bankrupt agricultural corporation had misinformed investors back in 1968.

**T**HE MATTER ALREADY WAS IN THE COURTS when Casey was confirmed as head of the Export-Import Bank in 1974. One of the two cases was completed when he was confirmed as CIA chief last January. Delaware's Sen. Joseph R. Biden Jr. was the only senator not to vote for confirmation. By then, the Congressional Record was replete with testimony about similar cases involving Casey.

These include:

- A lawsuit alleging securities violations in which he paid an \$8,000 out-of-court settlement.

- Another suit, never settled, in which he was accused of misleading investors.

- Disclosure by the SEC that while he was a director, Roosevelt Raceway failed to adequately disclose its arrangement with Casey's New York law firm.

- Wilmington lawyer John Van Brunt's allegations of unethical legal behavior.

- The plagiarism suit.

- His role, as chairman of the SEC, in keeping Watergate investigators from getting information on the deal in which IT&T bought the Hartford Insurance Co. and later gave \$400,000 to the Republican Party.

Casey was instrumental in removing the recommendation of fraud charges against IT&T from a draft report prepared by his senior SEC staffers. Later, when Congress began sniffing around the case, Casey conferred with White House counsel John W. Dean, among others, and delivered the SEC records to the Justice Department.

Because the Justice Department was conducting a criminal investigation of the IT&T affair, the delivery of the documents effectively kept the papers out of the hands of congressional investigators.

Casey said he did it at the request of the Justice Department. The Justice Department officer who received the papers said they were delivered at Casey's initiative.

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IN HIS CONGRESSIONAL TESTIMONY on the plagiarism suit, Casey said the judge in the case had expressed the opinion that the ruling involved only a "technical" violation. The judge who was supposed to have said that took the stand before the same committee and denied saying anything of the sort.

Van Brunt said he is not surprised by the latest stories about Casey's activities, and stood by his charge that Casey was guilty of unethical behavior in an oil deal with two of his clients, brothers Eugene du Pont III and the late Nicholas Ridgely du Pont.

"There are lawyers who cut themselves in on clients' businesses. It is against the canons of ethics," Van Brunt said.

Van Brunt explained why he stopped pushing the matter.

"Casey approached some other individuals who had a much greater influence over my client than I did. He instructed me to close it."

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## Trouble for the CIA

If any federal agency needed to avoid further trouble, it was definitely the Central Intelligence Agency. That organization has been badly buffeted in recent years, sometimes as a result of its own shortcomings and sometimes as a result of actions by ex-agents and others over which the agency has had little if any control.

Unfortunately, just when it seemed the nation's spying outfit was beginning to regain its lost prestige, the Hugel-Casey troubles hit the news. And more problems may lie ahead.

It began when *The Washington Post* carried an article across the top of its front page Tuesday morning headed: "CIA Spymaster Is Accused of Improper Stock Practices." Max Hugel, the article said, "engaged in a pattern of improper or illegal stock market practices in the mid-1970s that was intended to boost the stock of the New York wholesale firm he headed, according to two former business associates whose secretly tape-recorded Hugel's business conversations."

Within hours after the newspaper was on the streets, Mr. Hugel submitted his resignation as the CIA's deputy director for operations, a job that oversees the agency's clandestine activities. He strongly denied the allegations against him and said that his two former business colleagues had threatened him with blackmail. He said he was resigning because the allegations had become "a burden which I no longer believe is fair to impose on the administration, the agency, my family, and the splendid men and women who work with me."

The appointment of Mr. Hugel as spy chief never appeared to be a good one; his principal qualification seemed to be that he was a campaign worker for presidential candidate Ronald Reagan. He was appointed not by Mr. Reagan but by William Casey, a Reagan campaign strategist who was named by the new president to head the CIA.

Unhappily for the administration, on the same day the Hugel resignation was announced, news stories reported a May 19 U.S. District Court ruling that Mr. Casey himself had knowingly misrepresented facts in a 1968 investment offering. And two days later there was news of a year-old federal appellate court ruling which alleged that Mr. Casey and some of his business associates had driven a farming corporation "deep and deeper into debt" by managing in a "pattern of self-interest."

All of this not only is embarrassing to the administration, it also raises questions about the government's screening investigations for potential appointees to highly sensitive positions. Mr. Hugel is out of the picture now, as far as the government is directly concerned, but it is important, from the standpoint of the CIA's reputation, for Mr. Casey to respond to the allegations that have been made against him. Both for the sake of the CIA and of its director, we hope a satisfactory response will be forthcoming.

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# President Reagan and the Merchant Princes

Washington.

THE only thing about the Reagan administration's first scandal that commends it was the speed with which it was liquidated.

If the White House people had had the slightest hesitation about tactics, as the amazing story of the CIA's exotic, rookie spymaster broke

By Mary McGrory

in the first edition of the Washington Post on Monday evening, they had only to look to Jimmy Carter's management of the Bert Lance crisis to know how to proceed.

The situations do not fully compare. Mr. Lance was a close friend of Mr. Carter. Max Hugel was, as far as we know, merely a name to Ronald Reagan, a point that his people made in the stories that accompanied the embarrassing disclosures.

But with the handwriting on the wall in the form of the comptroller's report of August 18, 1977, Jimmy Carter clung to his bulky buddy for more than a month—to what proved irreparable damage to his reputation as a president who had pledged to sink the "buddy system" and to level, always, with the American people.

"Carter is the best thing that ever happened to Ronald Reagan," a member of the White House staff mused the other day.

One thing that accounted for the alacrity with which the president's men showed Max Hugel the door—he was out by mid-morning Tuesday—is that he was the choice of CIA Director William J. Casey, who does not enjoy the respect of the triumvirate in charge of the White House. Mr. Casey is a blunt and grumpy individual, who has direct access to the Oval Office and considerable influence on the president. He was able to prevail in the appointment of Mr. Hugel, an operative in the Reagan campaign in New Hampshire, despite the fact that Mr. Hugel alarmed some politicians and appalled the career spooks at the "Company."

A fall for Mr. Casey is one the White House inner circle can contemplate with equanimity, although one of them said formally, "Something like this always hurts."

But once you get beyond the rapid deployment of damage control force, you have to say that the substance was the worst kind for a conservative, national-security-minded administration.

Mr. Reagan has been telling Americans they have to give up all sorts of things in order to strengthen the defense establishment—of which CIA is a major component. Whatever Mr. Hugel's qualifications for directing covert operations, he turns out not to have been anywhere near the ideal person for cooking up clandestine deals around the globe.

His lack of experience was not critical. In fact, in light of the revelations about poisoned diving suits for Fidel Castro and mirrored sex-parlors dreamed up by his preppy predecessors, it could have been a recommendation.

One mortifying aspect is that the spies who are charged with finding out Soviet secrets and information on which wars can be fought did not unearth Mr. Hugel's covert activities as a businessman, specifically his questionable, tape-recorded manipulative stock dealings with the brothers McNeil. The transcripts define a person of piratical acquisitiveness and a stevedore's vocabulary.

It is particularly awkward for Mr. Casey, who was once chairman of the Securities and Exchange Commission and supposedly privy to shenanigans on Wall Street. For Stanley Sporkin, who made a name as the toughest enforcement chief SEC ever had, it must have been a special punishment to have his first big case as CIA counsel revolve around the kind of thing he spent 18 years trying to stop.

But the harm is deeper than such intriguing ironies. Mr. Hugel is the type that Mr. Reagan most prizes—a self-made, go-go, get-it-done businessman. Mr. Reagan's administration is staffed with people who asked not what government could do for them, and who are set to demonstrate

that men of commerce should be trusted with the delicate and demanding task of running the country.

Mr. Reagan seems to believe in the implicit morality of men who have made their pile in the rough-and-tumble of free enterprise. His cuts in social programs have been accompanied by vague promises that the splendid fellows who rose to the board-rooms have a social conscience that will lift the budget victims out of penury and despair.

He, of course, knows their generosity at first hand. He merely has to mention his wife's yen for redecorating the White House family quarters to be inundated with contributions. They would, obviously, provide him with well-stocked riding stables or a yacht or any other creature comfort he might fancy. He has expressed the view that captains of industry would gladly patronize the arts, employ minorities and generally lift the level of daily life for all if only they were liberated from the shackles of government regulation and high taxes.

Not only is his domestic policy based on a belief in their virtue. From the number of arms sales declared and contemplated, the president is willing to put our relations with the rest of the world into the hands of defense contractors. Their interpretation of the national interest corresponds apparently with his own. Until recently, he seemed to feel that financiers had merely to flash their credit cards to buy into the nuclear club.

Mr. Casey is a self-made millionaire of the same stripe. His gifts as a judge of men are now in severe question. And so, at one remove, are Mr. Reagan's, for having chosen him. Mr. Casey's survival as CIA director may not be at issue. But Mr. Reagan's thesis that all businessmen are merchant princes who can be trusted to run the country certainly is.